

June 30, 1983

Hon. Reginald Stanton  
Superior Court of New Jersey  
228 Hall of Records  
Newark, New Jersey 07101

Re: State of New Jersey, DEP  
v. Scientific Chemical Processing, Inc., et al.  
Docket No. L-1852-83E

Dear Judge Stanton:

I enclose two copies of the Brief I am submitting on behalf of Marvin H. Mahan seeking the dismissal of the Complaint against him.

Also enclosed is the Plan submitted on behalf of Inmar Associates, Inc. for the cleanup of the Carlstadt site pursuant to the Order entered in this matter.

Yours truly,

Edward J. Egan

EJE/rq

cc: David W. Reger,  
Deputy Attorney General  
Paul S. Barbire, Esq.  
Harriet Sims Harvey, Esq.  
Mr. Leif R. Sigmond  
Mr. Herbert Case  
All with enclosures

345761



SUPERIOR COURT OF NEW JERSEY  
CHANCERY DIVISION  
ESSEX COUNTY  
DOCKET NO. C-1852-83E

STATE OF NEW JERSEY, DEPARTMENT OF  
ENVIRONMENTAL PROTECTION,

Plaintiff

vs.

SCIENTIFIC CHEMICAL PROCESSING, INC.  
et al.,

Defendants

---

BRIEF IN SUPPORT OF DEFENDANT'S POSITION THAT MARVIN H. MAHAN IS NOT  
INDIVIDUALLY LIABLE FOR CLEANUP OF CONDITIONS AT THE CARLSTADT SITE

---

EDWARD J. EGAN  
Attorney for Defendants  
Inmar Associates, Inc. and  
Marvin H. Mahan  
1703 E. Second Street  
Scotch Plains, New Jersey 07016

Edward J. Egan, Esq.  
William J. Gianos, Esq.  
ON THE BRIEF

### STATEMENT OF FACTS

On May 5, 1983 the New Jersey Department of Environmental Protection ("DEP") filed with the Court a Verified Complaint and an Order to Show Cause which the Court signed. Inmar Associates, Inc. ("Inmar") and Marvin H. Mahan ("Mahan") filed their Answer and supporting Certifications in opposition to the application for emergent relief and in response to the Complaint itself. On May 27, 1983 the parties appeared before the Court which ordered, among other things, that plaintiff submit a brief supporting its contention that Mahan should be held personally liable for the clean up of alleged environmental problems at the Carlstadt site owned by Inmar Associates, Inc. ("Inmar"). The Verified Complaint asserts that the operations at the Carlstadt site were conducted by Scientific Chemical Processing, Inc. ("Processing"). Inmar is presently the owner of the Carlstadt land; the apparatus and tankage containing the materials are owned by Processing or others. Mahan is an officer, director, and stockholder of Inmar.

The allegations of the Verified Complaint which relate specifically to defendant Mahan are as follows:

7) Defendant Mahan is the individual with primary authority for the operations of Inmar . . . .

46) . . . Inmar knew or should have known of the existence of these hazardous conditions. Further, Mahan was and continues to be aware of same.

51) Inmar and Mahan know or should know and have or should have known at all times mentioned in the Complaint of the hazardous, dangerous and illegal conditions which exist at the Carlstadt site.

53) . . . the Hackensack Meadowlands Commission advised Inmar and Mahan that the hazardous conditions at the Carlstadt site must be immediately remedied.

71) . . . Inmar together with Mahan, its principal director, knew or should have known of the hazardous conditions present at the Carlstadt site.

Mahan contends that the recitations of "facts" contained in the Statement of Facts set forth in plaintiff's Brief and the attachments thereto, as well as in two letters to the Court from plaintiff's counsel are not properly before the Court and should not be considered in reaching a determination upon the issue at hand. In addition the recitations are inaccurate and misleading. Because they are not properly before the Court, Mahan has not responded to them in this Brief.

POINT I

THE VERIFIED COMPLAINT FAILS TO SET FORTH FACTS OR LEGAL THEORY THAT  
RENDER MAHAN PERSONALLY LIABLE FOR THE CLEANUP AT THE CARLSTADT SITE.

Plaintiff's Complaint states that Inmar Associates, Inc. is a New Jersey corporation and that Inmar is the fee owner of the Carlstadt site. Plaintiff's Complaint describes Mahan and his relationship to the Carlstadt site in the following ways:

7) Defendant Mahan is the individual with primary authority for the operations of Inmar . . . .

46) . . . Inmar knew or should have known of the existence of these hazardous conditions. Further, Mahan was and continues to be aware of same.

51) Inmar and Mahan know or should know and have or should have known at all times mentioned in the Complaint of the hazardous, dangerous and illegal conditions which exist at the Carlstadt site.

53) . . . the Hackensack Meadowlands Commission advised Inmar and Mahan that the hazardous conditions at the Carlstadt site must be immediately remedied.

71) . . . Inmar together with Mahan, its principal director, knew or should have known of the hazardous conditions present at the Carlstadt site.

Nowhere does plaintiff allege that Inmar was formed for any purpose other than a legal business reason as is permitted under N.J.S.A. 14A:2-1. Nowhere in the Complaint does plaintiff contend that Inmar is under-capitalized, that Mahan and Inmar ignored corporate formalities or commingled funds or that Inmar worked a fraud on anyone. Absent such allegations plaintiff cannot successfully disregard the corporate entity of Inmar and hold Mahan liable for Inmar's obligations. Pardo v. Wilson Line of Washington, Inc., 414 F.2d 1145 (D.C. Cir. 1969); Zubick v. Zubick, 384 F.2d 267 (3rd Cir. 1967) cert. den. 390 U.S. 988(1968); Von Brimer et al. v.

Whirlpool Corporation, 362 F.Supp. 1182 (N.D. Cal. 1973). Yet from these vague statements about Mahan, the plaintiff urges the Court to disregard the admittedly valid New Jersey corporation and to hold Mahan personally responsible for conditions at the Carlstadt site. Such a theory, that knowledge of an officer of a corporate landowner concerning certain alleged violations of statutes by a tenant makes that officer personally liable, is a rather novel and radical concept unsupported by any interpretation of case law. Plaintiff cites no case to support this proposition.

Mahan's position as "principal director" (whatever that may mean) and knowledge of certain events, without more, are totally insufficient grounds to inflict personal liability on Mahan.

## POINT II

PLAINTIFF'S BRIEF FAILS TO STATE A LEGAL THEORY THAT IS CONSISTENT WITH THE ALLEGATIONS OF THE COMPLAINT THAT MAHAN IS PERSONALLY LIABLE FOR THE CLEANUP OF THE CARLSTADT SITE BECAUSE OF HIS ALLEGED KNOWLEDGE OF CONDITIONS AT THE SITE.

The initial but paramount difficulty with plaintiff's Brief is that it advocates legal positions that do not comport with the allegations of the Complaint. The main thrust of plaintiff's argument is that Mahan is liable because he "knew" of the environmental hazards that Processing was creating at the Carlstadt site but did nothing to cause the landowner Inmar to remedy them. This admission that neither Inmar nor Mahan created the environmental hazards is borne out by the lack of any such allegations in the Complaint. To arrive at the questionable conclusion that Mahan is liable because he knew about the condition, plaintiff argues the theory that Inmar's corporate entity must be disregarded. Other than the expediency of having an additional party to bear the cleanup costs, there is no coherent rationale expressed to reach this result. To be sure there is nothing alleged in the Complaint that factually supports such a theory.

Plaintiff advances in its Brief almost all the reasons Courts have espoused for disregarding a corporate entity. It is most unclear which one plaintiff feels the Court should adopt in this case. Plaintiff apparently feels that the repetition of sound theories often enough will generate the perception that facts and appropriate allegations exist to support the theories. Perhaps plaintiff feels the 'scatter gun' approaches works. Picking through the pieces of argument, it seems that plaintiff's argument rests upon the "illegal acts" of Inmar and Mahan's knowing about those illegal acts. Since plaintiff makes no allegations that Inmar or Mahan committed any acts other than lawful ownership of the real estate, it is difficult to

appreciate what the illegal acts are which call for the piercing of Inmar's corporate existence.

Even when we turn to the New Jersey Water Pollution Control Act, N.J.S.A. 58:10A-1 et seq., that plaintiff relies heavily upon, it is apparent that what the law proscribes are acts. Knowledge is not an act, and certainly there is no indication in the statute that knowledge has anything to do with responsibility. That statute is the New Jersey legislation that set up the requirement of dischargers obtaining a permit to regulate discharge of materials into the waterways of the state. N.J.S.A. 58:10A-2. These permits, commonly called NJPDES, are required only if one releases, spills, pumps, pours, emits, empties, or dumps pollutants into the state's waterways. N.J.S.A. 58:10A-3(1). A reading of this act reveals that the goal is not the immediate stopping of such discharges but the establishment of a schedule of compliance to eventually eliminate or minimize discharge of pollutants. This statute has no bearing on the issues raised since it in no way imposes liability for cleanups. In addition, Inmar does not fall into this category of discharger and, accordingly, neither can Mahan since the only allegation laid against Inmar is ownership of the land upon which the alleged discharger, Processing, operated.

That the definition of "person" in the New Jersey Water Pollution Control Act (NJWPCA) includes any "responsible corporate official" is clearly irrelevant to the issue of Mahan's liability for three reasons.

First, the definition of "person" in the NJWPCA includes the term "responsible corporate official". Since the NJWPCA proscribes discharges of pollutants into the waters of the state without a permit, it stands to reason that the term "responsible corporate official" refers to an individual who has control over a corporate discharger which has not obtained a NJPDES permit. The definition therefore, does not cover defendant Mahan since his position as a corporate officer involves only Inmar, the lessor of the Carlstadt site,



which was not obliged to obtain a discharge permit. The definition clearly deals with corporate officers having responsibility for a corporate entity which affirmatively causes discharges to be made without a permit. This is not the case here and, therefore, Mahan does not come under the coverage of the NJWPCA.

Secondly, even if this definition of "person" did apply to Mahan, it applies only to acts covered by the NJWPCA and, therefore, it is misleading for the plaintiff to imply that this definition applies to the other laws and regulations listed in plaintiff's brief at page 8. Each law or regulation has its own definition and the others do not include a corporate officer in the definition of "person"

Thirdly, the acts proscribed by the NJWPCA are listed at N.J.S.A. 58:10A-6 as follows:

a) It shall be unlawful for any person to discharge any pollutant, except in conformity with a valid New Jersey Pollutant Discharge Elimination System Permit . . . .

b) It shall be unlawful for any person to build, install, modify or operate any facility for the collection, treatment or discharge of any pollutant, except after approval by the department . . . .

The NJWPCA prohibits the discharge of pollutants by any "person" or the installation or operation of any facility by any "person" without a permit. Defendant Mahan did not perform any of the proscribed acts simply by being a corporate officer of the landowner. The NJWPCA prohibits acts; all the plaintiff alleges is that Mahan knew about the "illegal" acts of a tenant. Mahan's knowledge is not sufficient to impose cleanup liability.

Plaintiff's allegations against Inmar are not that it took any illegal acts but merely that, as the owner of the land upon which Processing conducted its business, Inmar knew or should have known that Processing was doing

something illegal and should have taken steps to correct it. The fact that it took the Supreme Court of New Jersey to decide a key underlying issue, i.e. was Processing entitled to a Temporary Operating Authority, seems to be of no consequence. Apparently, plaintiff feels Inmar should have been prescient and unilaterally and at its peril entered the property and violated the terms of the defeasance of the property to Processing under the lease. The fact that Inmar did not do so corporately, the plaintiff argues, makes Mahan liable individually.

Most importantly, the Court should note that the Verified Complaint is devoid of any allegation that justifies disregarding the corporate entity on any theory. No allegation is made, for instance, that Inmar was formed for an illegal purpose or that corporate formalities were not followed. Plaintiff's entire case against Mahan is based upon his alleged knowledge and some vague failure to act. It is interesting to note that the plaintiff, the DEP, apparently never thought either Inmar or Mahan was in any way responsible for the cleanup of the Carlstadt site. It gave no notice to either Inmar or Mahan despite the long period of the alleged illegal conditions -- it merely started suit. This is inconsistent with the course of action the DEP took in regard to the operator of the facility, Scientific Chemical Processing, Inc., which was involved in an extensive legal imbroglio with the DEP.

The difficulty with this logical juggling is that it is faulty. Even if there is a legal duty to clean up a site that rests upon the land owner, the failure to do so does not make the corporation the alter ego of the officers or stockholders of the corporation who fail to cause the corporation to do so; nor would such failure result in a fraud or injustice. The corporate entity can be disregarded only if the corporation has committed a fraud or if the corporate formalities have been blatantly ignored.

Plaintiff's argument that Mahan is personally liable for Inmar's responsibilities bristles with logical fallacies. A representative example of

those positions is contained in the second paragraph on page nine of plaintiff's Brief. A primary fallacy upon which plaintiff builds its argument is that an illegal act of a corporation renders the corporation's principal director personally liable. Were plaintiff's view of disregarding a valid corporate entity the correct one, there would be no need for corporations since there could never be any limitation of liability once an illegal act were committed by a corporation. Such a view would render corporate officers personally liable for motor vehicle violations such as failing to have a truck inspected or renewing a registration. Once the illegality has been remedied by paying a fine or correcting the illegal occurrence, does plaintiff propose that the corporation springs up anew or has the corporate entity forever disappeared? If it springs up anew, what is the status of transactions before the absolution has been given? Surely our courts have never reached such a radical result. Inmar was formed for a valid, legal reason -- to own real estate and to conduct a business of deriving a profit from renting out the property it owns. What plaintiff contends Inmar did illegally was to fail to clean up an environmental problem created by another party, the tenant. No case plaintiff cites supports a proposition that such a failure to act is an "illegal" act or that such a failure justifies disregarding the corporate entity of Inmar.

### POINT III

#### THIS CASE SHOULD NOT BE TRIED BY BRIEFS.

On May 27, 1983, the return date for the Order to Show Cause, the Court decided summarily that an environmental problem exists at the Carlstadt site which the various defendants are responsible to remedy. The Court held that most of the defendants were required to do so because they owned and operated the facility. Inmar, which does not own the plant on the Carlstadt site, the Court held to be responsible as the owner of the land. This is the result sought by plaintiff -- that the matter be decided summarily. Now, plaintiff's Brief in support of its position that defendant Mahan be held individually liable, the voluminous attachments thereto, and a supplementary letter indicate that plaintiff has changed its view and wants the best of both worlds. Plaintiff's Brief and correspondence are, in effect, an attempt to try this case by brief since plaintiff seeks to present documents for the Court's consideration that are not part of the record of this case and are extraneous. Mahan, or any other defendant for that matter, should not be deprived of the right to a trial, if in fact a cause of action has been stated. It is not the purpose of these briefs which the Court has asked be submitted to present evidence or to be in lieu of a trial. If the Court finds that a cause of action has been stated, a trial should follow at which time Mahan will address the evidence that will be presented pursuant to the Rules of Court and not as the various attachments have now been laid before the Court without even a supporting affidavit. R.1:6-6. For that reason, this Brief does not respond to plaintiff's inappropriate presentation of documents to the Court in its Brief, in the cover letter, and in the subsequent letter of plaintiff's counsel to the Court.

The proceedings at this point are circumscribed by what is contained in the Complaint not by documents not properly before this Court as evidence and

inferences plaintiff seeks to draw from them. Those documents bear no relation to the issue of the sufficiency of the Verified Complaint. If the Court decides the Complaint does state a cause of action against Mahan, by plaintiff's own admission by reciting its version of facts and by attaching a plethora of unrelated documents the matter cannot proceed in a summary fashion. This matter should not be tried by briefs. If a cause of action has been stated, then Mahan is entitled to have his day in court especially since the "facts" plaintiff relies upon to establish liability are primarily "knowledge" Mahan allegedly had about conditions at the Carlstadt site.

CONCLUSION

For the reasons stated above, Mahan asks that the Complaint against him be dismissed.

Respectfully submitted,

---

Edward J. Egan, attorney for  
Inmar Associates, Inc. and  
Marvin H. Mahan

## PLAN FOR REMEDIATION OF CARLSTADT SITE

### BACKGROUND

This remediation plan is being submitted by Inmar Associates, Inc. ("Inmar"), the landowner of the Carlstadt site in response to an Order entered by Judge Stanton in an action brought by the New Jersey Department of Environmental Protection for the cleanup of the site. This Plan is being submitted without prejudice to the rights of Inmar, including its rights against other parties to the suit and unnamed parties and its rights to contest the determination of the Court that it is responsible for the cleanup of the site and is not to be deemed an admission of liability.

The site consists of six acres and has on it a small cinder block office building and 59 units that are apparently the property of Scientific Chemical Processing, Inc. ("Processing"), the tenant and operator of a reclamation business on the site. It is Inmar understanding, gleaned from persons associated with Processing, that Processing engaged in the business of reclaiming materials for sale for their BTU content from off-spec and used items. Thus the materials had a commercial value. It would appear that the material remaining on the site is low grade burnable material or material that for one reason or another has become mixed with non-burnable elements, primarily water but which still has commercial value. No list prepared by either Processing or DEP that is of any help in describing the material.

### SAMPLING AND TESTING

Because there exists no useful information to determine the nature of the material in the 59 units, the first step to remediating conditions at the site is the sampling and testing of the 59 units. These units consists of 14

The drums would be removed first, followed by any units that appear structurally unsound. An initial examination would suggest that not more than 8 of the units may have structural problems.

It is difficult to evaluate the time that would be required to empty and remove the remaining containers. All the disposers are in agreement that it will take three to six months because of the diverse characteristics of the material, ie. some easily pumpable and the rest present problems because of the viscosity of the material.

#### PAYMENT FOR WORK AND ULTIMATE DISPOSITION OF THE PROPERTY

There have been claims that problems beset Processing in its attempts to remove the material and the containers because of the lack of cooperation of the Department of Environmental Protection. The DEP reportedly refused permission to permit removal of the material except under the most onerous conditions. This catch-22 situation stymied efforts to sell or dispose of the material. Key to the ability of Inmar to carry this proposal to fruition is its finding a developer of the real estate. Obviously, no developer wants to get involved in a frustrating hassle that has no promise of success. Apparently, the approval of the DEP and the HMDC will be required before the property can be built upon. To move this along, the parties will need the Court's assistance so that the property will not be left dangling and forlorn with none of the agencies involved willing to sign off or to grant the necessary permits for building to commence. Once remediation is completed to the Court's satisfaction, building permits should be issued. Inmar wishes to sell the property, which is zoned Light Industry, not only to generate the funds necessary to pay for the remedial work but also because it feels the property should be put to an economic use consistent with the development of the area. Inmar has been looking for a purchaser, and most recently has had



over-the-road trailers and one sludge box with the rest of the units being stationary tanks ranging in size from 4,000 to 20,000 gallons. Most of the units contain varying quantities of sludge of various viscosities. Thus, removal of the material is not a simple matter of pumping the material out and either selling the material or disposing of it. Both the nature of the material as either hazardous or non-hazardous and its viscosity must be determined before the next stage, the removal from the site, can be precisely described.

#### REMOVAL AND DISPOSAL

Material that is found to be non-hazardous and easily pumpable will be removed quickly and either sold or disposed of. The same is true of easily pumpable hazardous material. The fact that material may be hazardous does not determine whether it can be sold or whether it will have to be disposed of. That determination will be based upon whether the material can be burned to recover its BTU value. It would appear that a majority of the material can be burned.

Sludge with a thick viscosity will have to be extracted from the containers in various fashions depending on how fluid it is. This may involve cutting the tanks to get the material out. Some of this sludge may have to be solidified further once it has been removed from the tank so that it can be transported, and this will be done on the site on an existing cement pad. That step will enable the material to be more easily moved to a disposal site.

The trailers and tanks will either be cleaned and reclaimed or cut up and disposed of. Indications are that, aside from containers that are weak

structurally, most if not all of the trailers and tanks can be reclaimed and sold for reuse.

There are 44 drums on site which will be removed immediately as soon as their contents are ascertained.

#### WHO WILL DO THE WORK

Inmar has had discussions and conferences with at least seven potential disposers who have indicated a willingness to undertake the remedial work described herein. They are:

All County Environmental Services  
Edgewater, New Jersey

SCA Chemical Services  
Newark, New Jersey

Waste Conversion, Inc.  
Hatfield, Pennsylvania

B&T Environmental Services  
Ridgewood, New Jersey

Olsen & Hassold  
Paterson, New Jersey

S&W  
Kearny, New Jersey

Inland Water Pollution Control  
Detroit, Michigan

#### TIME SCHEDULE

Once approval for the plan is obtained from the Court, the sampling would require four to seven days to complete. There will be three samples taken from each of the 59 containers, one each from the top, bottom, and middle, each of which will have to be tested. This would indicate a testing period of three to four weeks. The sampling and testing will be done by one of the above companies or their affiliated laboratory or by another approved laboratory.

serious discussions with ICOS International, a substantial engineering and land development company, which has expressed a willingness to erect a one-story 35,000 square foot office building if the environmental problems can be resolved. Inmar looks for the help of the Court to implement and complete this integral part of the remediation plan.

The property is thus the source of the funds for the remedial work. The six acres are assessed at \$703,400 which appears to be adequate to pay for the cleanup.

Dated: June 30, 1983



State of New Jersey

IRWIN I. KIMMELMAN  
ATTORNEY GENERAL

THOMAS W. GREELISH  
FIRST ASSISTANT ATTORNEY GENERAL

DEPARTMENT OF LAW AND PUBLIC SAFETY  
DIVISION OF LAW  
ENVIRONMENTAL PROTECTION SECTION  
RICHARD J. HUGHES JUSTICE COMPLEX  
CN 112  
TRENTON 08625

MICHAEL R. COLE  
ASSISTANT ATTORNEY GENERAL  
DIRECTOR

LAWRENCE E. STANLEY  
DEPUTY ATTORNEY GENERAL  
SECTION CHIEF

JOHN M. VAN DALEN  
DEPUTY ATTORNEY GENERAL  
ASSISTANT SECTION CHIEF

TELEPHONE 609-292-1548

June 9, 1983

Edward J. Egan, Esq.  
1073 E. Second Street  
Scotch Plains, New Jersey 07076

Re: State of New Jersey, DEP v. Scientific Chemical  
Processing, Inc., et al  
Docket No. L 1852-83E

Dear Mr. Egan:

Enclosed please find copies of pages from annual reports of Scientific Inc. which I intend to rely on in support of the State's position that Mr. Mahan is individually liable for cleanup of the Carlstadt site.

Very truly yours,

IRWIN I. KIMMELMAN  
ATTORNEY GENERAL

By David W. Reger  
David W. Reger  
Deputy Attorney General

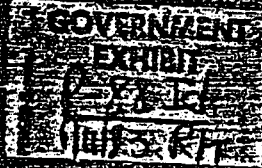
DWR:map  
Enc.

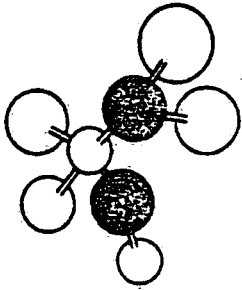
RECEIVED  
JUN 15 1983

EXECUTIVE DEPT.

1967

Annual  
Report





**BOARD OF  
DIRECTORS**

Marvin H. Mahan

Robert J. Meagher

Leif R. Sigmond

Raymond J. Buck

President  
Buck Bros. Inc.  
Edison, N. J.

Roland D. Crandall

Vice President  
Allen & Company, Inc.  
New York

Victor P. DiLeo

President  
J. DiLeo Agency, Inc.  
Piscataway, N. J.

Frederick S. Magnus

President  
Magnus & Company  
New York

George Terpak, Jr.

Vice President  
Chemsol, Inc.  
Newark, N. J.

**OFFICERS**

Marvin H. Mahan

Chairman of the Board

Robert J. Meagher

President-Treasurer

Leif R. Sigmond

Vice President

Benjamin Weiner

Secretary

Eva A. Burke

Assistant Secretary

THE ANNUAL MEETING OF ST

WILL BE HELD ON MO

AT 1

AT COMPANY OFFICES, 60 PRINC



#### TO OUR STOCKHOLDERS:

It is a pleasure to advise you of the progress of your Company in this, our Second Annual Report, which is for the fiscal year ending October 31, 1967.

For the year your Management Team accomplished most of its goals which were an increase in sales, an increase in profits, and an increase in equity, so that we may continue our expansion. Sales increased through both internal growth and acquisition to \$1,500,000. Record net income (after provision for income taxes) of \$47,500 equalled earnings of 13c per share on the average shares outstanding during the year.

Some of the highlights for the year were as follows:

We have expended approximately \$300,000 in expanding our chemical recovery units. Included are expansion of our phosphoric acid recovery unit, the installation of a "thin-film" evaporator unit for the recovery of solvents from heavy sludges which were formerly non-recoverable, installation of two stainless steel corrosion resistant vacuum distillation columns, and a copper chemical recovery unit. These last three items should be completed in the first half of 1968 and will contribute to profits in the last half of the year.

In June, at the Special Stockholders Meeting, the stockholders ratified the sale of 100,000 shares of stock to the investment house of Allen & Company, New York. In October, Mr. Roland D.

Crandall, Vice President of Allen & Company, Inc., of Scientific.

In October, we acquire a company engaged in the industry. This acquisition opens up a new market into the growing Eastern Pennsylvania and Delaware regions.

Your Company will continue to expand its field of water and air pollution treatment of chemicals in order to reduce pollution. For example, chemical solvents and other materials for much of the highly publicized use in paint and lacquer in the chemical industry, which give off fumes when burned, will be processed and recycled.

We are confident that our growth will continue and that your Company will continue to grow. The emphasis is placed on the prevention of pollution. In previous years, recovery of chemicals has been the product had to be worth more than the cost of cheaper and easier to burn by-product. However, even if the waste pollutes the sewer, even if the waste pollutes the water, the present emphasis on clean streams and the fact that their face up to the fact that their waste is thrown away, but must be disposed of in a proper manner. Your Company is presently doing so, will continue to grow.

For the coming year we expect continued growth and profits with a proportionate increase in dividends.

*[Signature]*  
S  
P  
C

*[Signature]*  
C  
R  
P



Grandall, Vice President of Allen & Company, was elected a Director of Scientific.

In October, we acquired the Eastern Industrial Corp., a company engaged in the industrial disposal business in Philadelphia. This acquisition opens up a new area for us and allows us to expand into the growing Eastern Pennsylvania, Southern New Jersey, and Delaware regions.

Your Company will continue to concentrate primarily in the field of water and air pollution and its approach will be the recovery of chemicals in order to reduce both air and water pollution. For example, chemical solvents and hydrocarbons, which are responsible for much of the highly publicized smog problem, will be recovered for use in paint and lacquer thinners. Chemicals from the petrochemical industry, which give off black smoke and acrid odors when burned, will be processed and treated to eliminate air pollution.

We are confident that our field of endeavor is a growing field and that your Company will continue to expand as more and more emphasis is placed on the prevention of pollution. For the last 30 years, recovery of chemicals has been on the basis of economics. The product had to be worth more than the cost to recover; it was cheaper and easier to burn by-products or to dump them down the sewer, even if the waste polluted the air and rivers. With the present emphasis on clean streams and clean air, industry must now face up to the fact that their waste cannot simply be burned or thrown away, but must be disposed of in a scientific, approved manner. Your Company is providing this needed service and in doing so, will continue to grow.

For the coming year we anticipate further growth in sales and profits with a proportionately greater increase in profits.

Sincerely,

MARVIN H. MAHAN, PH.D.

Chairman of the Board

ROBERT J. MEAGHER  
President

the progress of your Company  
which is for the fiscal year

at Team accomplished most of  
sales, an increase in profits, and  
continue our expansion. Sales  
growth and acquisition to  
er provision for income taxes)  
per share on the average shares

e year were as follows:  
ately \$300,000 in expanding  
ed are expansion of our phos-  
tion of a "thin-film" evaporator  
om heavy sludges which were  
of two stainless steel corrosion  
as, and a copper chemical re-  
should be completed in the  
e to profits in the last half of

lders Meeting, the stockholders  
stock to the investment house  
In October, Mr. Roland D.



## HIGHLIGHTS OF HISTORY AND BUSINESS

Scientific Chemical Treatment Co., Inc., a Delaware Corporation, formed November 5, 1965, is engaged in the buying, processing, disposing of, and selling of off-specification or contaminated chemical and industrial by-products. Through its subsidiary, Eastern Industrial Corp., it collects and disposes of industrial wastes; and through its subsidiary, Kin Buc, Inc., it operates a site for disposal of refuse. Your Management Team collectively has over 50 years' experience in the by-product market development field. In fact, our Chairman, Dr. Marvin H. Mahan, was appointed to the New Jersey State Public Health Department's Task Force Committee for recommending the proper procedure for the disposal and treatment of waste chemicals.

Following is a brief description of the Company's divisions:

### CHEMSOL CHEMICAL MARKETING DIVISION

This division, the former Research and Development Division of Chemsol, Incorporated, was originated in 1948 by Dr. Mahan to do research on and develop markets for chemical by-products. It had an 18-year record of successful development of markets for by-products. Although both the Chemsol Chemical Marketing Division and the North Jersey Refining Division deal in by-products, the latter division primarily recovers such products while Chemsol is primarily engaged in developing markets for the recovered products.

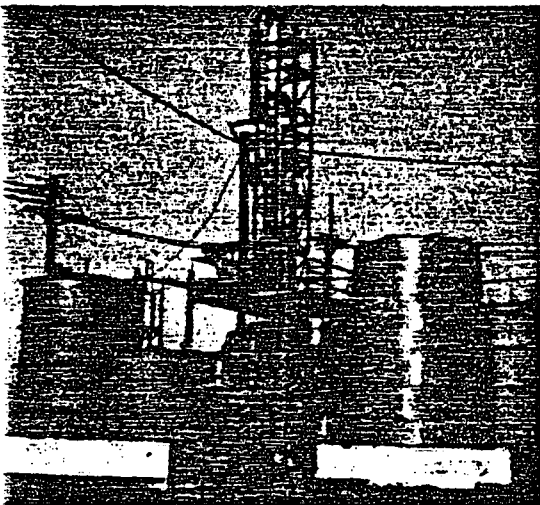
### NORTH JERSEY REFINING DIVISION

This division was originally formed in 1962 by unaffiliated persons as the North Jersey Refining Co., Inc. It was acquired by your Company in November 1965. This division recovers usable products, primarily from used solvents and off-specification by-products. It primarily renders this service for non-affiliated customers who furnish the material and avail themselves, for a fee, of the distillation services performed by this division. It is also active in the purchasing of such materials from which reusable solvents are recovered and then sold for its own account.

In addition to distillation units with a capacity for distilling in excess of 150,000 gallons of solvents per month, the division has adequate tankage for the storage of crude and refined materials.

#### Phosphoric Acid Recovery Unit

As mentioned in the stockholders' letter, this division now has a new phosphoric acid recovery unit, is currently installing a new "thin-film" solvent recovery system together with corrosion resistant vacuum distillation columns which should be in operation by April or May, and is currently completing a copper recovery unit which should be ready in February. These units should contribute to profits in the last half of 1968.



### KIN BUC, INC.

During April 1966, the Company, Kin Buc, Inc., to acquire two companies previously owned by Kin Buc Sanitation to operate the refuse disposal facility in general, handles refuse from approximately 100,000 people in New Jersey. We are doing considerable business and are pleased to report that it is growing steadily.

### EASTERN INDUSTRIAL CORP.

#### Specialized Industrial Waste Removal



The sale because the owner wished to return to his home in Eastern Pennsylvania, Southern New Jersey territory.

### PRIVATE FINANCING

Your Management realized that the Company was overcapitalized for the several divisions represented. Accordingly, in June 1967, your Company, Allen & Company, New York, 100 Wall Street, sold the same price as the original public offering of the directors was converted into cash. This sale and conversion, plus the sale of the Company, doubled our equity base.

## RY AND BUSINESS

, Inc., a Delaware Corporation, he buying, processing, disposing of, nated chemical and industrial by- Industrial Corp., it collects and h its subsidiary, Kin Buc, Inc., it ur Management Team collectively duct market development field. In han, was appointed to the New Task Force Committee for recom- disposal and treatment of waste

Company's divisions:

### DIVISION

h and Development Division of 1948 by Dr. Mahan to do research products. It had an 18-year record r by-products. Although both the and the North Jersey Refining division primarily recovers such ged in developing markets for the

### ON

in 1962 by unaffiliated persons as was acquired by your Company in sable products, primarily from used It primarily renders this service for material and avail themselves, for d by this division. It is also active hich reusable solvents are recovered

a capacity for distilling in excess the division has adequate tankage als.

As mentioned in the stock- holders' letter, this division now has a new phosphoric acid re- covery unit, is currently installing a new "thin-film" solvent recovery system together with corrosion resistant vacuum distillation col- umns which should be in opera- tion by April or May, and is cur- rently completing a copper re- covery unit which should be ready in February. These units should contribute to profits in the last half of 1968.

### KIN BUC, INC.

During April 1966, the Company formed a wholly-owned subsidiary, Kin Buc, Inc., to acquire two contracts and certain operating equipment previously owned by Kin Buc Sanitary Landfill, Inc. This division continues to operate the refuse disposal facility on a site in Edison, N. J. and, in general, handles refuse from approximately 13 different towns in Central Jersey. We are doing considerable work in evaluating the industrial disposal business and are pleased to report that our Kin Buc operation is progressing steadily.

### EASTERN INDUSTRIAL CORP.

*Specialized Industrial Waste Removal Unit*



As a result of our evaluation work done for Kin Buc on industrial disposal, we felt we were ready and should expand into direct collection and disposal operations. Therefore, in October we purchased Eastern Industrial Corp. of Philadelphia. This Company operates a fleet of approximately 20 specialized trucks, together with some 600 containers ranging in size from one yard to 40 yards. The Company has been in business for over 10 years and was for

sale because the owner wished to retire. Eastern Industrial serves Philadelphia, Eastern Pennsylvania, Southern New Jersey, Delaware, and the surrounding territory.

### PRIVATE FINANCING

Your Management realized that the progress and expansion contemplated for the several divisions required additional capital and personnel. Accordingly, in June 1967, your Company sold to the investment house of Allen & Company, New York, 100,000 shares of "investment stock" for the same price as the original public offering. Also, \$58,000 of debt owed to one of the directors was converted into 29,000 shares of stock at the same time. This sale and conversion, plus the retained earnings, had the effect of almost doubling our equity base.